

# IRS News Release

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## **2006 Inflation Adjustments Widen Tax Brackets, Change Tax Benefits**

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WASHINGTON — Personal exemptions and standard deductions will rise, tax brackets will widen and individuals will be able to make larger tax-free gifts in 2006, thanks to inflation adjustments announced today by the Internal Revenue Service.

By law, a variety of tax provisions must be revised each year to keep pace with inflation. As a result, more than three dozen tax benefits, affecting virtually every taxpayer, are being modified for 2006. Key changes affecting 2006 returns, filed by most taxpayers in early 2007, include the following:

- The value of each personal and dependency exemption, available to most taxpayers, will be \$3,300, up \$100 from 2005.
- The new standard deduction will be \$10,300 for married couples filing a joint return, \$5,150 for singles and \$7,550 for heads of household. Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.
- Tax-bracket thresholds will increase for each filing status. For a married couple filing a joint return, for example, the taxable-income threshold separating the 15% bracket from the 25% bracket will be \$61,300, up from \$59,400 in 2005.
- The annual gift tax exemption will be \$12,000, up from \$11,000 in 2005.

Revenue Procedure 2005-70, containing a complete rundown of inflation adjustments, is posted on the IRS Web site and will appear in Internal Revenue Bulletin 2005-47, dated Nov. 21, 2005.